

Procurement Advisory No. 52 A

Prohibitions on Using Convenience Checks for Purchases or Payments

1. SUMMARY

This update to Advisory 52-provides new guidance and direction regarding prohibitions on the use of convenience checks. The use of convenience checks is appropriate only if a Treasury check waiver is obtained (See Appendix A, below) and the agency determines that there is no other way, under the circumstances of the required transaction, to accomplish the transaction.

2. BACKGROUND

The check writing feature of the purchase card program was originally intended to be a transitional tool to facilitate purchases from small businesses, which did not, at that time, accept the credit card as part of their normal business practices. Commercial vendor purchase card acceptance rates, as well as USDA payment methods, have evolved substantially since the convenience checks were instituted. Over the past several years, a number of internal control problems with the use of checks have surfaced. The sheer magnitude of check usage (in terms of the number of checks written; the number of check writers; the amount of dollars being disbursed; and the types of expenditure being made) poses a serious internal control risk. Furthermore, there continues to be compliance concerns with the Debt Collection Improvement Act, OMB Circular No. A-123, Appendix B, Chapter 12 requirements, and with the accuracy of 1099 reporting of payments to vendors and to the Internal Revenue Service.

3. REFERENCES

Primary References:

- a. For background information on the Debt Collection Improvement Act refer to:
<https://www.fms.treas.gov/news/factsheets/dcia.html>
- b. For background on convenience check requirements refer to OMB Circular No. A-123, Appendix B, Chapter 12 available at:
http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a123/a123_appendix_b.pdf
- c. For information on the Treasury requirements for electronic payments refer to 31 CFR 208.3: <http://www.gpo.gov/fdsys/pkg/CFR-2011-title31-vol2/pdf/CFR-2011-title31-vol2-part208.pdf>
- d. For information on the Treasury check waiver requirements refer to 31 CFR 208.4: <http://www.gpo.gov/fdsys/pkg/CFR-2011-title31-vol2/pdf/CFR-2011-title31-vol2-part208.pdf>
- e. For background information on IRS 1099 reporting requirements refer to:
<http://www.irs.gov/uac/Form-1099-MISC,-Miscellaneous-Income->

- f. Departmental Regulation (DR) 5013-6, Use of the Purchase Card and Convenience Check, will be amended to incorporate this change of policy on the use of convenience checks.

Additional Related References:

- a. Public Law 104-134 The Debt Collection Improvement Act of 1996 (Electronic Funds Transfer requirement)
- b. Internal Revenue Service Revenue Procedure 2004-43 (Merchant Category Codes to Determine Reportable Payment Card Transactions)
- c. Internal Revenue Code 26 CFR 1.6041 (Return of information as to payments of \$600 or more)
- d. Federal Acquisition Regulation 32.1100 (Electronic Funds Transfer requirement)

4. ACTIONS

Agencies and cardholders may not use convenience checks for purchases or payments unless an applicable Treasury check waiver allows such use. (See Appendix A, below)

a. Agency Notification to Cardholders. Through their Agency Program Coordinators (APCs) and Local Agency Program Coordinators (LAPCs), agencies shall notify all cardholders that convenience checks may not be used to make purchases or payments absent an applicable waiver.

b. Development of Agency Procedures. APCs and LAPCs shall develop procedures to eliminate the use of convenience checks except when a condition meets a Treasury Waiver. Agencies shall continue to explore alternative payment methods for categories of transactions covered by waivers.

c. LAPC Reviews and Actions.

(1) LAPCs must review cardholders' authorizations to use checks, and shall cancel check-writing authorizations of cardholders who have purchased supplies or services outside of the scope of a Treasury authorized waiver.

(2) LAPCs must also collect, record, and destroy unneeded blank check stocks.

d. Cardholders and APCs: IRS Requirements for Checks under a Treasury Waiver. If a check meets a Treasury waiver, the cardholder must properly record, in the Electronic Access System, the vendor's tax ID number and mailing address. This information will allow the National Finance Center to create and mail the required IRS form 1099. APCs shall terminate check writing authority from any cardholder who is unable to meet this tax reporting requirement. The Credit Card Service Center will assist the APC in determining which cardholders are unable to meet the convenience check requirements as defined by Treasury and the IRS.

5. PROHIBITIONS

The Treasury waiver authority does not authorize the use of convenience checks for the following:

- a. Payments when the vendor accepts the VISA Purchase Card for the supplies/services being acquired;
- b. Contract payments;

- c. Purchases above the micro-purchase limit as defined in the Federal Acquisition Regulations 2.1;
- d. Indemnity payments;
- e. Imprest fund replenishment;
- f. Vehicle maintenance and repairs;
- g. Utility payments;
- h. Telecommunications services, supplies, or equipment in excess of \$10;
- i. Official Travel; and,
- j. Local travel (except when reimbursement cannot be made through travel systems, time and attendance systems, or FMFI).

NOTE: Departmental Regulation (DR) 5013-6, Use of the Purchase Card and Convenience Check, will be amended to incorporate this change of policy on the use of convenience checks.

Procurement Advisories are issued by the Procurement Policy Division of the Office of Procurement and Property Management, Departmental Management, USDA, and posted on the World Wide Web at <http://www.dm.usda.gov/procurement/policy/advisories.html>. If you have questions or comments regarding this advisory please send an email message to the procurement policy division at procurement.policy@dm.usda.gov.

EXPIRATION DATE: This advisory will remain in effect until cancelled.

Appendix A

Treasury Check Waivers

Check Waivers:

31 CFR Part 208.3 Payment by Electronic Funds Transfer (EFT). Sets the requirement that all federal agencies payments are to be made by Electronic Funds Transfer

31 CFR Part 208.4 Waivers. Defines waivers to 31 CFR Part 208.3 These waivers are very narrowly defined and most payments do not qualify for a waiver.

Full requirements and definition can be found at:

<http://www.gpo.gov/fdsys/pkg/CFR-2011-title31-vol2/pdf/CFR-2011-title31-vol2-sec208-4.pdf>

High level definitions of the waivers follow. Please see the reference above for the full text of the waivers.

Waiver #	Usage
1	For benefits payments to an individual and does not apply to convenience checks
2	For foreign infrastructure issues and does not apply to convenience checks
3	For a presidentially declared disaster area and does not apply without the declaration
4	For military operation or war, normally does not apply to convenience checks
5	For national security issues, normally does not apply to convenience checks
6	For a one-time payment to a vendor (a second payment by check is not authorized)
7	For unusual, unforeseen, nonrecurring circumstances and compelling urgency and serious injury to the government or sole source vendor and serious injury to the government